BEFORE THE DELAWARE PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION OF	)	
CHESAPEAKE UTILITIES CORPORATION	)	
FOR A GENERAL INCREASE IN ITS	)	**P.S.C. DOCKET NO. 07-**
NATURAL GAS RATES AND SERVICES	)	
AND FOR APPROVAL OF CERTAIN OTHER	)	
CHANGES TO ITS NATURAL GAS TARIFF	)	

DIRECT TESTIMONY OF JENNIFER A. CLAUSIUS

On Behalf of Chesapeake Utilities Corporation

Delaware Division

Submitted for filing: July 6, 2007

Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.

A. My name is Jennifer A. Clausius and I am the Manager of Pricing and Regulation with Chesapeake Utilities Corporation ("Chesapeake"). My business address is 350 S. Queen Street, Dover, Delaware 19904.

Q. DESCRIBE BRIEFLY YOUR EDUCATION AND RELEVANT PROFESSIONAL BACKGROUND.

A. I received a Bachelor of Science Degree in Finance from the Pennsylvania State University in University Park, Pennsylvania in 1994. I received a Masters of Business Administration Degree from Wilmington College in Wilmington, Delaware in 2003. I was hired by Chesapeake as a Rate Analyst in February 2001 and promoted to a Rate Analyst II in October 2002. As a Rate Analyst I have primarily been involved in the areas of gas cost recovery for the Delaware and Maryland natural gas distribution divisions, environmental cost recovery, rate of return analysis, and base rate proceedings for the Delaware and Maryland natural gas distribution divisions. Additionally, I have worked with cost of service studies and performed economic analysis related to capital expenditure projects. I was promoted to Manager of Pricing and Regulation in August 2005, where I have direct supervision and oversight of the pricing and regulatory activities for Chesapeake's Delaware and Maryland Divisions. Prior to joining Chesapeake, I was employed by Waterhouse Securities, Inc. from 1994 to 1999 as a Registered Representative and then as Assistant Branch Manager. In these positions I held a Series 7 and Series 8 registration with the

National Association of Securities Dealers ("NASD"). I was also employed by AT&T Solutions, Inc. as a Financial Architect from 1999 to 2000. In this position I worked as an integral member of a sales team, analyzing the financial profitability of potential business ventures with various large companies. From 2000 to 2001 I was employed by Hospital Billing and Collection Service, Ltd. as a Financial Analyst. In this position I primarily had various revenue accounting responsibilities and was also instrumental in the development of the budget forecast.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE DELAWARE PUBLIC SERVICE COMMISSION ("COMMISSION")?

A. Yes. I have testified before the Commission during the Delaware Division's previous Gas Sales Service Rate proceedings, Environmental Rider Rate proceedings, Franchise Fee proceedings, and its Firm Balancing and Unaccounted for Gas Cost Methodologies proceeding.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS PROCEEDING?

A. As Manager of Pricing and Regulation for Chesapeake's Delaware Division ("Delaware Division" or the "Company"), I have overall responsibility for the Delaware Division's application for a general increase in its natural gas rates and charges throughout its service territory in Delaware along with the other requested changes to its natural gas tariff. My direct testimony consists of the following subject areas:

I. Need for Rate Relief
II. Organization of Filing
III. Identification of Attachments
IV. Chesapeake Utilities Corporation Organization
V. Net Operating Income
VI. Capital Structure
VII. Overall Return Requirement
VIII. Proposed Interim Rates
IX. Cost of Service Internal Cost Studies
X. Main Extension Policy
XI. GSR Mechanism

I. Need for Rate Relief

Q. WHAT IS THE PRINCIPLE REASON FOR FILING THIS RATE CASE?

A. The Delaware Division of Chesapeake Utilities Corporation has been unable to earn its allowed rate of return for the twelve months ended December 31, 2006, which is the test year selected by the Company in this proceeding. As indicated on Minimum Filing Requirement ("MFR") Schedule No. 1, the actual earned rate of return for the Delaware Division during the test year was 7.32%. As a result, the primary reasons for the Company's proposed rate increase relate to increases in the return requirement for gas utility plant investments, a significant decline in fixed margin contribution from the Company's residential, commercial and industrial firm customer classes, and an increase in taxes and fees. The major components of the requested rate increase are shown on Schedule C of the MFR's.

Q. WHEN DID THE DELAWARE DIVISION LAST IMPLEMENT AN INCREASE IN BASE RATES OR DELIVERY SERVICE RATES?

A. The Delaware Division adjusted its delivery service rates on August 1, 2006 and January 1, 2007 in order to reflect an increase in the PSC Assessment rate from \$0.002 to \$0.003 per dollar of revenue earned. However, the most recent base rate increase was initiated by the Company on August 2, 2001 in Docket No. 01-307. The Commission granted the Company an increase in base rates of \$380,000 effective with service rendered on and after May 1, 2002, by Order No. 5932, dated April 16, 2002. As part of a Phase II in Docket No. 01-307, on October 19, 2001 the Delaware Division filed cost of service studies. On January 11, 2002 the Delaware Division filed proposed rates for each rate class based on the results of the cost of service studies, proposed modifications to the margin sharing mechanism for interruptible margins, off-system sales margins and capacity release margins, and a proposed Area Extension or Expansion Program ("AEP"). The Commission issued its final Order No. 6053 in this docket on November 19, 2002.

Q. AS A RESULT OF THESE TWO COMMISSION ORDERS FROM THE COMPANY'S LAST BASE RATE CASE PROCEEDING, WERE THERE ANY ISSUES THAT CHESAPEAKE'S DELAWARE DIVISION WAS DIRECTED TO ADDRESS IN ITS NEXT BASE RATE FILING?

A. Yes. As a result of the settlement agreement in Phase I of Docket No. 01-307 and Commission Order No. 5932, Chesapeake's Delaware Division was directed to file a lead lag study in support of any cash working capital allowances to be included in rate base.

Q. ARE THERE ANY OTHER COMMISSION ORDERS CONTAINING ISSUES THE COMPANY COULD ADDRESS IN ITS NEXT BASE RATE FILING?

A. Yes. In PSC Docket No. 05-322, the Delaware Division filed a request for an alternative rate design and rate structure in order to serve potential customers located in eastern Sussex County, Delaware. In that docket, the Company had filed a request with the Commission for approval to place the proposed rates into effect on a temporary basis, subject to refund, pending the completion of that proceeding. On February 27, 2007, in Order No. 7137, the Commission denied the Company's request; however, it granted the Delaware Division approval to include its proposed alternative rate design and rate structure as part of the overall rate design in its next base rate proceeding.

Q. ARE THERE ANY OTHER ISSUES?

A. Yes. As part of the settlement agreement pending before the Commission in the Company's most recent Gas Sales Service Rate ("GSR") proceeding, PSC Docket No. 06-287F, the parties agreed to address the Company's margin sharing and unaccounted for gas mechanisms in the next base rate proceeding.

Q. HAS CHESAPEAKE'S DELAWARE DIVISION COMPLIED WITH THE REQUIREMENTS OF THESE PRIOR COMMISSION ORDERS AND THE GSR SETTLEMENT AGREEMENT IN THIS BASE RATE APPLICATION FILING?

A. Yes. The Delaware Division has completed a lead-lag study in support of cash working capital. This study was performed by Kathryn McVay and the results are included in her testimony. Additionally, the Delaware Division is proposing an alternative rate design and rate structure for eastern Sussex County, Delaware. This proposal is contained in the testimony of Jeffrey Tietbohl. Finally, the Company has proposed modifications to its margin sharing mechanism as outlined in the testimony of Jeff Householder.

Q. WHAT IS THE TEST YEAR AND TEST PERIOD THAT THE COMPANY PROPOSES TO UTILIZE IN THIS PROCEEDING?

A. The proposed test year is the twelve months ended December 31, 2006 and the test period is the twelve months ending March 31, 2007, as adjusted.

II. Organization of Filing

Q. PLEASE EXPLAIN HOW THE DELAWARE DIVISION'S RATE APPLICATION FILING IS ORGANIZED.

A. The Company's rate application filing is contained in three (3) separate notebooks or volumes. Notebook 1 of 3 contains the Company's base rate application, briefing sheet, the proposed interim natural gas tariff, a redlined version of the proposed interim tariff, the full proposed tariff, a redlined version of the Company's full proposed tariff and the Minimum Filing Requirements. Notebook 2 of 3 contains the pre-filed direct testimonies and attachments of witnesses Jennifer A. Clausius, Jeffrey R. Tietbohl, Matthew Dewey, Kathryn G. McVay, Joseph D. Steinmetz, Paul R. Moul, and Paul M. Normand on behalf of Chesapeake Utilities Corporation-Delaware Division. Notebook 3 of 3 contains the pre-filed testimony and attachments of witness Jeff Householder on behalf of Chesapeake. The Company is presenting a total of eight witnesses in this proceeding, including myself. Mr. Jeffrey R. Tietbohl, Director of Natural Gas Distribution for Chesapeake's Delaware and Maryland Divisions will be presenting testimony outlining the anticipated short-term and long-term business plans of the Delaware Division as its relates to transportation service and gas sales service options for consumers. He will also be addressing the Company's proposed alternative rate design for current and potential residential customers in eastern Sussex County, Delaware. Mr. Matthew Dewey, Director of Business Unit Accounting, primarily addresses the Company's cost accounting settlement processes and is responsible for forecasting the Delaware Division's operating and maintenance expenses for the Test Period. Ms. Kathryn G. McVay, an independent consultant, addresses the projected Test Period rate base utilized in this filing as well as the lead lag study performed to support cash working capital. Mr. Joseph D. Steinmetz, Director of Financial Reporting, provides support for the income taxes included in the cost of service and deferred income taxes included in the rate base. Mr. Paul R. Moul, a management consultant on cost of capital, demonstrates that a reasonable return on equity in this proceeding is 11.50% with an overall rate of return of 9.68%. Mr. Paul Normand, a management consultant on depreciation, will be presenting the results of the Company's depreciation study. Mr. Jeff Householder, a regulatory consultant, will be presenting the Company's proposed aggregated transportation program, its proposed rate classes and rate design, its proposed revenue normalization mechanism as well as supporting the proposed natural gas tariff.

III. <u>Identification of Attachments</u>

Q. DO YOU SPONSOR ANY ATTACHMENTS IN SUPPORT OF YOUR TESTIMONY?

A. Yes, I do. All of the Minimum Filing Requirement Schedules included with the Company's application were prepared under my direction and supervision and are based upon information derived from the books and records of the Company. Attachment JAC-1, consisting of one page, is a summary of Chesapeake Delaware Division's Revenue Requirement in this proceeding and shows the adjustments made to net operating income to arrive at the Company's Test Period revenue deficiency. Attachment JAC-2, consisting of two pages, provides a summary of the Delaware Division's interim rate derivation in this application based on the Company's revenue deficiency outlined in Attachment JAC-1 and the Company's current rate classes. Attachment JAC-3, consisting of four pages, contains the Company's proposed pre-determined conditions and variables for its main extension policy.

IV. Chesapeake Utilities Corporation Organization

Q. PLEASE DESCRIBE CHESAPEAKE UTILITIES CORPORATION'S ORGANIZATIONAL STRUCTURE.

A. Chesapeake Utilities Corporation is a diversified utility company engaged in natural gas distribution, transmission and marketing, propane distribution and wholesale marketing, and advanced information services.

Chesapeake's natural gas distribution operations serve approximately 59,100 residential, commercial and industrial customers in Delaware, Maryland and Florida. In Delaware and Maryland, it operates as Chesapeake Utilities Corporation. The Delaware Division serves southern New Castle County and is the only natural gas distribution system serving Delaware's Kent and Sussex counties. The Maryland Division operates the only natural gas distribution system, with the exception of one municipal system, on Maryland's Eastern shore. In Florida, Chesapeake operates as Central Florida Gas ("CFG"), serving residential, commercial and industrial customers in four counties and commercial and industrial customers in nine additional counties. Chesapeake's natural gas marketing subsidiary, Peninsula Energy Services Company, Inc. ("PESCO"), markets natural gas to commercial and industrial customers throughout the state of Florida. The relative size of the operations in each of the jurisdictions is shown in the following table that provides deliveries and average number of customers for the year 2006.

Chesapeake Utilities Corporation Natural Gas Distribution
For the Year 2006

Deliveries in MMcf	**Total**	**Delaware**	**Maryland**	**Florida**
Firm:				
Residential	2,460	1,685	481	294
Commercial & Industrial	1,912	1,365	547	0
Transportation	15,910	344	144	15,422
***Interruptible*:**	866	483	383	0
Total Deliveries	21,148	3,877	1,555	15,716

Number of Customers	**Total**	**Delaware**	**Maryland**	**Florida**
Firm:				
Residential	53,198	30,372	10,163	12,663
Commercial & Industrial	4,688	2,988	1,700	0
Transportation	1,102	17	18	1,067
Interruptible:	120	89	31	0
Total Customers	59,108	33,466	11,912	13,730

Chesapeake's natural gas transmission subsidiary, Eastern Shore Natural Gas Company ("ESNG"), operates an interstate pipeline system that transports natural gas through interconnects with two upstream interstate pipeline systems in southeastern Pennsylvania and northern Delaware. The pipeline transports and delivers natural gas through 366 miles of transmission pipeline to Chesapeake's Delaware and Maryland Divisions, as well as four non-affiliated local distribution companies, three electric generation customers and 12 industrial customers located in Delaware, the Eastern Shore of Maryland and Pennsylvania. Eastern Shore Natural Gas Company is regulated by the Federal Energy Regulatory Commission ("FERC").

Based in Salisbury, Maryland, Chesapeake's wholly owned propane distribution subsidiary, Sharp Energy, Inc., distributes propane to approximately 33,300 residential, commercial and industrial customers in Delaware, Maryland, Virginia, Pennsylvania and Florida. Chesapeake's propane marketing subsidiary, Xeron, Inc., based in Houston, Texas, markets propane to large independent oil and petrochemical companies, resellers and propane distribution companies located in the southeastern region of the country.

BravePoint, Chesapeake's wholly owned advanced information services business, is headquartered in Norcross, Georgia. BravePoint provides domestic and international clients with information technology-related business services and solutions for both enterprise and e-business applications.

Chesapeake's other subsidiaries include Skipjack, Inc. and Eastern Shore Real Estate, Inc., which both own and lease property, primarily to affiliates of Chesapeake.

V. Net Operating Income

Q. WHAT ARE THE COMPONENTS OF THE DELAWARE DIVISION'S NET OPERATING INCOME ("NOI") FOR THE TEST YEAR ENDED DECEMBER 31, 2006?

A. Net Operating Income for the Test Year is comprised of actual results of operations for the twelve month period ended December 31, 2006 and is shown on MFR Schedule No. 3 as follows:

Operating Revenues
Operating Expenses
Interest on Customer Deposits
Taxes Other Than Income
Net Operating Income
Total Operating Taxes
Net Operating Income
Allowance for Funds Used During Construction
Net Income Available for Return

Q. ARE THE COMPONENTS THE SAME FOR THE TEST PERIOD ENDING MARCH 31, 2007?

A. Yes, the components in NOI for the Test Year ended December 31, 2006 are the same for the Test Period ending March 31, 2007.

Q. ARE THERE ANY DIFFERENCES IN THE METHODOLOGY USED IN CALCULATING THE TEST YEAR AND TEST PERIOD NET OPERATING INCOME?

A. Yes. The Test Year ended December 31, 2006 NOI was based upon an actual twelve-month experience. The Test Period ending March 31, 2007 NOI was determined by adjusting the Test Year amounts to annualize costs for known and measurable changes in an effort to properly match expenses with sales during the period in which the proposed rates will be in effect, and to properly reflect transactions as they would be expected to occur in a "normal year."

Q. PLEASE EXPLAIN HOW THE DELAWARE DIVISION'S TEST PERIOD OPERATING REVENUES, AS SHOWN IN MFR SCHEDULE 3-A, WERE CALCULATED.

A. As shown on Schedule No. 3-A-1, Test Year heat sensitive firm revenues have been adjusted to reflect sales levels expected in a normal degree day year and also adjusted to reflect the number of customers projected to be on the distribution system at the end of the Test Period. The determination of a normal degree day year is based upon weather data for a ten-year average of degree days for the months of January 1996 through December 2006. Interruptible sales levels for Propane Parity Service, No. 2 Fuel Oil Parity Service, and No. 6

Fuel Oil Parity Service were adjusted on an individual customer basis using historical sales levels. The Company is also proposing a minimum usage requirement for its interruptible customer rate schedule of 100,000 Ccf annually, therefore all current interruptible customers using less than 100,000 Ccf annually, were moved to a firm rate class.

Q. WHAT ABOUT OFF-SYSTEM SALES CUSTOMERS?

A. As discussed further in the testimony of Jeff Householder, the Delaware Division will no longer be providing an off-system sales service to customers, therefore all margins associated with these transactions have been eliminated from the Test Period.

Q. IS THE DELAWARE DIVISION PROPOSING ANY CHANGES TO ITS RATE SCHEDULES?

A. Yes. As described in greater detail in the testimony of Jeff Householder, the Delaware Division is proposing several changes to its rate schedules. MFR Schedule E and Schedule 3-A are included at both the Company's current and proposed rate schedules. The Company determined which proposed rate schedule to move its customers into based on actual consumption per customer for the twelve months ended December 31, 2006.

Q. WERE THERE ANY ADJUSTMENTS DUE TO CUSTOMERS MOVING BETWEEN THE EXISTING RATE CLASSES?

A. Yes. An additional adjustment has been made to reflect one hundred and sixty-five (165) firm customers moving to firm transportation service, resulting in a reduction in gas cost revenue. These adjustments will be further addressed in the rate design testimony of Mr. Householder.

Q. PLEASE EXPLAIN HOW THE DELAWARE DIVISION'S TEST PERIOD OPERATING EXPENSES WERE CALCULATED AS SHOWN ON SCHEDULE 3-B.

A. A summary of Test Period adjustments made to operating expenses and net operating income is provided on the Revenue Requirement summary schedule provided in Attachment JAC-1 and more thoroughly documented in the Direct Testimony of Mr. Matthew Dewey.

Q. DID THE DELAWARE DIVISION INCLUDE ANY PROPOSED CHANGE IN THE DEPRECIATION RATES IN THIS PROCEEDING?

A. Yes. As mentioned previously in my testimony, a depreciation study was completed by Management Applications Consulting and the rates derived as a result of that study are included in this filing.

Q. HOW WERE REGULATORY COMMISSION EXPENSES CALCULATED FOR THIS FILING?

A. Chesapeake estimates its cost of filing this rate case at approximately $428,000. This estimate is based on actual expenses from the Company's most recent case, with an upward adjustment due to the complexity of the issues contained in this application. Chesapeake also included dollars related to Regulation Docket No. 59 dealing with Commission policy decisions on revenue decoupling, which is pending. These costs were assumed to be amortized over a five-year period along with normal regulatory expenses, in which a five-year average was included. In addition, included in regulatory expense are dollars associated with prior proceedings which have been deferred until Chesapeake's next base rate proceeding, as mentioned earlier in my testimony. These include the Company's prior Gas Supply Plan review, Hedging Program review, Alternative Rate Design docket, as well as an under collection resulting from Chesapeake's change in delivery service rates from August 1, 2006 through December 31, 2006 to collect the incremental PSC Assessment from its customers. These costs are assumed to be amortized over a three-year period. Overall, this results in an adjustment to Regulatory Commission Expense of $66,771.

VI. <u>Capital Structure</u>

Q. HOW WAS THE PROPOSED TEST PERIOD CAPITAL STRUCTURE DETERMINED?

A. The proposed Test Period capital structure is based upon the estimated long-term debt balances and effective cost rates and Common Equity balance at March 31, 2007 for Chesapeake Utilities Corporation. This is comprised of 38.19% Long-Term Debt and 61.81% Common Equity.

Q. WHAT IS THE DELAWARE DIVISION'S PROPOSED OVERALL RATE OF RETURN IN THIS PROCEEDING?

A. As shown below and on Schedule No. 4, the Delaware Division proposes an overall rate of return of 9.68% for the Test Period.

	Ratio	Effective Cost Rate	Weighted Cost of Capital
Long-Term Debt	38.19%	6.74%	2.57%
Common Equity	61.81%	11.50%	7.11%
Total Cost of Capital	100.00%		9.68%

Mr. Paul R. Moul testifies that the appropriate cost of Common Equity for the Delaware Division in this proceeding is 11.50%, with the Company's proposed Revenue Normalization Mechanism. The effective long-term debt cost rate utilized is for Chesapeake Utilities Corporation at March 31, 2007.

VII. Overall Return Requirement

Q. WHAT IS THE PROPOSED RETURN REQUIREMENT FOR THE DELAWARE DIVISION IN THIS BASE RATE PROCEEDING?

A. As shown on Schedule No. 1, the proposed Test Period return requirement is $4,203,034. This is based upon a Test Period rate base of $43,419,770 and a proposed overall rate of return of 9.68%. The Company is proposing to increase its revenue by $1,895,668, or approximately 3.25% of total Test Period operating revenue to achieve the forecasted return requirement. The detail behind this calculation is included herein as Attachment JAC-1.

VIII. Proposed Interim Rates

Q. WHAT GENERAL GUIDELINES DID THE COMPANY FOLLOW IN DESIGNING ITS PROPOSED INTERIM RATES?

A. The Company is proposing to design its interim rates based upon the full revenue deficiency amount of $1,895,668 and based on its current rate classes. For Chesapeake's Delaware Division, according to the Delaware statute under Del. C. §306(c) the maximum amount of revenue allowed under bond is $2,500,000. Chesapeake's Delaware Division, as demonstrated on Attachment JAC-2, spread this interim rate increase equally to all firm rate classes based on their Delivery Service revenue. Please see Attachment JAC-2 for a summary of the rate derivation and proposed natural gas tariff rates. The Company is proposing these interim rates to become effective with service rendered on and after September 4, 2007 pursuant to 26 Del. C. §306(c).

Q. IS THE COMPANY SUBMITTING A COST OF SERVICE STUDY IN SUPPORT OF THIS BASE RATE APPLICATION?

A. Yes. Cost of service studies, both at the current and proposed rate classes, are included in this filing and are outlined in the testimony of Mr. Jeff Householder.

IX. Cost of Service Internal Cost Studies

Q. DID THE COMPANY PERFORM ANY INTERNAL COST STUDIES RELATED TO ITS COST OF SERVICE?

A. Yes. The Company performed several internal cost studies in deriving the external and internal allocators referenced in its cost of service studies. These internal costs studies were performed assuming both the Company's current rate classes as well as Chesapeake's proposed rate classes. The data included in the cost studies corresponds to the Test Year and Test Period information used in this proceeding. It includes items such as an analysis of plant data by account, operating costs, sales revenue as well as customer usage details.

X. Main Extension Policy

Q. IS CHESAPEAKE PROPOSING ANY CHANGES TO ITS MAIN EXTENSION POLICY IN THIS FILING?

A. Yes. Chesapeake instituted its current main extension policy for residential developments with main extensions over 500' on a trial basis as a result of the settlement agreement in PSC Docket No.97-72T, Remand. The parties to that docket then agreed to address Chesapeake's Main Extension Policy as part of the Company's proposed alternative rate design and rate structure docket, PSC Docket No. 05-322. With the Company proposing to combine the proposals raised in that docket, with the items contained in this case, Chesapeake is proposing modifications to its Main Extension Policy in this docket. Included is

Attachment JAC-3, which is a redlined and clean draft of the Pre-Determined Conditions and Variables for the Internal Rate of Return Model ("IRRM") that the Company is proposing. At this time, Chesapeake is not proposing any changes to the six times test used for commercial and industrial economic analyses as well as the conversion of residential developments and residential developments with main extensions of less than 500'.

XI. GSR Mechanism

Q. WHAT CHANGE IS THE COMPANY PROPOSING TO ITS GSR MECHANSIM?

A. As mentioned in further detail in the testimony of Jeff Householder, Chesapeake is proposing to modify its GSR charge from a separate rate schedule contained in its natural gas tariff to a clause referenced on the rate schedules for residential customers and general sales customers. As far as the actual mechanism itself, Chesapeake is proposing to eliminate the multiple GSR charges currently in effect and institute a single system average rate.

Q. WHY IS CHESAPEAKE PROPOSING TO ELIMINATE ITS MULTIPLE GSR CHARGES?

A. As a result of the Company's proposed aggregated transportation program, Chesapeake anticipates an increase in the number of customers choosing to purchase natural gas from a third-party supplier instead of through the Company's GSR mechanism. Additionally, the Company is proposing to eliminate the majority of the rate classes that are served by separate GSR charges. For these reasons, the Company no longer feels it is reasonable to continue to retain three separate GSR charges for its remaining customers.

Q. IS THE COMPANY PROPOSING ANY CHANGES TO THE WAY ITS GSR CHARGE IS CALCULATED?

A. No. The Company is not proposing any changes to the methodology of the calculation of the projected gas costs; the Company is merely proposing to eliminate the multiple charges in favor of a single system average rate.

Q. IS THE INFORMATION SET FORTH IN ATTACHMENTS JAC-1, JAC-2, and JAC-3 TRUE AND CORRECT TO THE BEST OF YOUR KNOWLEDGE AND BELIEF?

A. Yes, it is.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

DATED: JULY 6, 2007

STATE OF DELAWARE)
) SS:
COUNTY OF KENT)

AFFIDAVIT OF JENNIFER A. CLAUSIUS

JENNIFER A. CLAUSIUS, being first duly sworn according to law, on oath deposes and says that she is the witness whose testimony appears as the "Direct Testimony of Jennifer A. Clausius, on behalf of Chesapeake Utilities Corporation, Delaware Division;" that, if asked the questions which appear in the text of the direct testimony, she would give the answers that are therein set forth; and that she adopts this testimony as her sworn direct testimony in these proceedings.

Jennifer A. Clausius

Jennifer A. Clausius

Then personally appeared this 6th day of July 2007, the above-named Jennifer A. Clausius and acknowledged the foregoing Testimony to be her free act and deed. Before me,

CAROLYN MAE SMITH
MY COMMISSION EXPIRES
Mar
21
2010
KENT CO., DEL.
NOTARY PUBLIC

Notary Public
My Commission Expires: 3/21/2010

Attachment JAC-1

Chesapeake Utilities Corporation
Delaware Division
Revenue Requirement Calculation

Description	Actual Twelve Months Ended 31-Dec-2006	Sales & Revenue Adjustment	Forecast Adjustment	Settlement Rate Adjustment	Payroll & Benefits Adjustment	Workers Comp & Insurance Adjustment	Depreciation Adjustment	Regulatory Commission Adjustment	Bad Debt Adjustment	Non-Payroll Taxes Other than Income	Merchant Fee Adjustment	Facilities Adjustment	Income Tax Adjustment	Misc. Adjustment	Interest Synchronization Adjustment	Pro Forma Test Period Before Increase	Proposed Increase	Pro Forma Test Period After Increase
Operating Revenues	$77,646,963	($19,251,141)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$58,395,822	$1,895,668	$60,291,490
Cost of Gas	63,158,628	($20,136,763)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$43,021,865	$0	$43,021,865
Gross Margin	$14,488,335	$885,622	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$15,373,957	$1,895,668	$17,269,625
Operation & Maintenance Expenses:																		
Operations & Maintenance	6,276,974	$0	$155,127	($48,932)	$619,763	$10,283	$25,326	$81,090	$38,513	$0	($145,397)	$137,056	$0	$407	$0	$7,150,210	$4,976	$7,155,186
Depreciation	2,513,516	$0	$0	$0	$0	$0	($217,630)	$0	$0	$0	$0	$0	$0	$0	$0	$2,295,886		$2,295,886
Amortization	86,139	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$86,139		$86,139
Taxes Other Than Income	1,133,721	$0	($44,813)	($352)	$24,350	$0	$0	$0	$0	$236,520	$0	$0	$0	$0	$0	$1,349,426	$5,687	$1,355,113
Interest on Customer Deposits	38,851	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$38,851		$38,851
Total Expenses	$10,049,201	$0	$110,314	($49,284)	$644,113	$10,283	($192,304)	$81,090	$38,513	$236,520	($145,397)	$137,056	$0	$407	$0	$10,920,512	$10,663	$10,931,175
Net Operating Income Before Tax	4,439,134	$885,622	($110,314)	$49,284	($644,113)	($10,283)	$192,304	($81,090)	($38,513)	($236,520)	$145,397	($137,056)	$0	($407)	$0	$4,453,445	$1,885,005	$6,338,450
Income Taxes	$1,314,341	$360,050	($44,848)	$20,036	($261,864)	($4,181)	$78,181	($32,967)	($15,657)	($96,157)	$59,111	($55,720)	($83,247)	($165)	$132,157	$1,369,070	$766,346	$2,135,416
Net Operating Income After Tax	$3,124,793	$525,572	($65,466)	$29,248	($382,249)	($6,102)	$114,123	($48,123)	($22,856)	($140,363)	$86,286	($81,336)	$83,247	($242)	($132,157)	$3,084,375	$1,118,659	$4,203,034
AFUDC	0														$0	$0		$0
Net Operating Income Before Other Interest	$3,124,793	$525,572	($65,466)	$29,248	($382,249)	($6,102)	$114,123	($48,123)	($22,856)	($140,363)	$86,286	($81,336)	$83,247	($242)	($132,157)	$3,084,375	$1,118,659	$4,203,034
Less: Other Interest / Interest on LTD	1,440,958														($325,070)	$1,115,888		$1,115,888
NOI Applicable to Common Equity	$1,683,835	$525,572	($65,466)	$29,248	($382,249)	($6,102)	$114,123	($48,123)	($22,856)	($140,363)	$86,286	($81,336)	$83,247	($242)	$192,913	$1,968,487	$1,118,659	$3,087,146
Capital Structure:																		
Long-term Debt	16,582,010														$0	$16,582,010		$16,582,010
Common Equity	26,837,760														$0	$26,837,760		$26,837,760
Total Capital	$43,419,770	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$43,419,770	$0	$43,419,770
Overall Rate of Return	7.20%															7.10%		9.68%
Return on Equity	6.27%															7.33%		11.50%
Return Requirement	$4,203,034															$4,203,034		$4,203,034
Return Deficiency	$1,078,241	($525,572)	$65,466	($29,248)	$382,249	$6,102	($114,123)	$48,123	$22,856	$140,363	($86,286)	$81,336	($83,247)	$242	$132,157	$1,118,659	($1,118,659)	($0)
Revenue Conversion Factor	1.69459	1.69459	1.69459	1.69459	1.69459	1.69459	1.69459	1.69459	1.69459	1.69459	1.69459	1.69459	1.69459	1.69459	1.69459	1.69459	1.69459	1.69459
Revenue Deficiency	$1,827,176	($890,629)	$110,938	($49,563)	$647,755	$10,340	($193,392)	$81,549	$38,732	$237,857	($146,219)	$137,831	($141,070)	$410	$223,952	$1,895,668	($1,895,668)	$0

Chesapeake Utilities Corporation - Delaware Division
Rate Derivation Model
Proposed Interim Rates
Based on a Rate Increase of $1,895,668

Customer Class	Rate Blocks	Volumes (Mcf)	Current Rates	Calculated Delivery Service Revenue	Calculated Rate Increase	13.03%	Calculated Delivery Service Revenue	Calculated Rates	Proposed Rates	Proposed Delivery Service Revenue	Proposed Rate Increase
RSO	Customers	1,153	$ 9.500	$131,442	$17,130		$148,572	$10.74	$10.75	$148,737	$17,295
	First 2.0	14,604	$ 6.070	$88,646	$11,553		$100,199	$6.86	$6.90	$100,768	$12,121
	Next 3.0	3,334	$ 4.220	$14,069	$1,834		$15,903	$4.77	$4.75	$15,837	$1,767
	Over 5.0	1,765	$ 1.780	$3,142	$409		$3,551	$2.01	$2.00	$3,530	$388
RSO Total		19,703		$237,299	$30,926		$268,226			$268,871	$31,572
RSH	Customers	29,927	$ 9.500	$3,411,678	$444,630		$3,856,308	$10.74	$10.75	$3,860,583	$448,905
	First 2.0	580,073	$ 6.070	$3,521,043	$458,883		$3,979,926	$6.86	$6.90	$4,002,504	$481,461
	Next 3.0	501,812	$ 4.220	$2,117,647	$275,984		$2,393,631	$4.77	$4.75	$2,383,607	$265,960
	Over 5.0	799,485	$ 1.780	$1,423,083	$185,465		$1,608,548	$2.01	$2.00	$1,598,970	$175,887
RSH Total		1,881,370		$10,473,451	$1,364,962		$11,838,413			$11,845,664	$1,372,213
Total Residential Service		1,901,073		$10,710,751	$1,395,889		$12,106,639			$12,114,535	$1,403,784
GS	Customers	2,355	$ 17.500	$494,550	$64,453		$559,003	$19.78	$19.50	$551,070	$56,520
	First 2.0	35,721	$ 6.570	$234,687	$30,586		$265,273	$7.43	$7.50	$267,908	$33,221
	Next 3.0	36,952	$ 4.470	$165,175	$21,527		$186,702	$5.05	$5.05	$186,608	$21,432
	Over 5.0	153,536	$ 1.970	$302,466	$39,419		$341,885	$2.23	$2.25	$345,456	$42,990
GS Total		226,209		$1,196,878	$155,984		$1,352,863			$1,351,041	$154,163
MVS	Customers	345	$ 40.000	$165,600	$21,582		$187,182	$45.21	$45.50	$188,370	$22,770
	First 20.0	60,842	$ 3.160	$192,261	$25,057		$217,317	$3.57	$3.60	$219,031	$26,770
	Over 20.0	159,187	$ 1.440	$229,229	$29,875		$259,104	$1.63	$1.60	$254,699	$25,470
MVS Total		220,029		$587,090	$76,513		$663,603			$662,100	$75,010
LVS	Customers	157	$ 60.000	$113,040	$14,732		$127,772	$67.82	$67.50	$127,170	$14,130
	First 100.0	138,507	$ 3.720	$515,246	$67,150		$582,396	$4.20	$4.15	$574,804	$59,558
	Over 100.0	572,351	$ 0.920	$526,561	$68,625		$595,185	$1.04	$1.05	$600,969	$74,408
LVS Total		710,858		$1,154,847	$150,507		$1,305,353			$1,302,943	$148,096
HLFS	Customers	269	$ 40.000	$129,120	$16,828		$145,948	$45.21	$45.25	$146,067	$16,947
	All Consumption	746,535	$ 1.020	$761,468	$99,239		$860,707	$1.15	$1.15	$858,515	$97,048
HLFS Total		746,535		$890,588	$116,067		$1,006,654			$1,004,582	$113,995
NCR	Customers	1	$ 40.000	$480	$0		$480	$40.00	$45.25	$543	$63
	All Consumption	56,750	$ 0.550	$31,213	$0		$31,213	$0.55	$0.55	$31,213	$0
NCR Total		56,750		$31,693	$0		$31,693			$31,756	$63
SFS	Customers	1	$ 60.000	$720	$94		$814	$67.82	$67.50	$810	$90
	All Consumption	3,063	$ 1.090	$3,339	$435		$3,774	$1.23	$1.23	$3,767	$429
SFS Total		3,063		$4,059	$529		$4,588			$4,577	$519
GC	Customers	0	$ 9.500	$0	$0		$0	$0.00	$9.50	$0	$0
	All Consumption	0	$ 0.870	$0	$0		$0	$0.00	$0.87	$0	$0
GC Total		0		$0	$0		$0			$0	$0
GL	Customers	10	$ 11.500	$1,380	$180		$1,560	$13.00	$13.00	$1,560	$180
GL Total		10		$1,380	$180		$1,560			$1,560	$180
Total Commercial/ Industrial Service		1,963,444		$3,866,534	$499,779		$4,366,314			$4,358,559	$492,025
Total Firm Delivery Service		3,864,517		$14,577,285	$1,895,668		$16,472,953			$16,473,094	$1,895,809

Chesapeake Utilities Corporation - Delaware Division
Comparison of Current and Proposed Revenue
Proposed Interim Rates
Based on a Rate Increase of $1,895,668

Customer Class	Rate Blocks	Calculated Delivery Service Revenue	Final Customers & Billing Adjustments	Actual Delivery Service Revenue	Actual Gas Sales Service Revenue	Actual Total Revenue	Proposed Delivery Service Revenue	Final Customers & Billing Adjustments	Total Proposed Delivery Service Revenue	Actual Gas Sales Service Revenue	Total Revenue After Increase	% Revenue Increase
RSO	Customers	$131,442	$1,387	$132,829	$0	$132,829	$148,737	$1,387	$150,124	$0	$150,124	
	First 2.0	$88,646	$66	$88,712	$211,436	$300,148	$100,768	$66	$100,834	$211,436	$312,270	
	Next 3.0	$14,069	$15	$14,085	$48,269	$62,354	$15,837	$15	$15,852	$48,269	$64,121	
	Over 5.0	$3,142	$8	$3,150	$25,554	$28,703	$3,530	$8	$3,538	$25,554	$29,092	
RSO Total		$237,299	$1,476	$238,775	$285,259	$524,034	$268,871	$1,476	$270,347	$285,259	$555,606	6.02%
RSH	Customers	$3,411,678	$60,202	$3,471,880	$0	$3,471,880	$3,860,583	$60,202	$3,920,785	$0	$3,920,785	
	First 2.0	$3,521,043	($145)	$3,520,899	$8,569,165	$12,090,063	$4,002,504	($145)	$4,002,359	$8,569,165	$12,571,524	
	Next 3.0	$2,117,647	($125)	$2,117,522	$7,413,049	$9,530,571	$2,383,607	($125)	$2,383,482	$7,413,049	$9,796,531	
	Over 5.0	$1,423,083	($199)	$1,422,884	$11,810,443	$13,233,327	$1,598,970	($199)	$1,598,771	$11,810,443	$13,409,213	
RSH Total		$10,473,451	$59,733	$10,533,184	$27,792,657	$38,325,841	$11,845,664	$59,733	$11,905,397	$27,792,657	$39,698,054	3.58%
Total Residential Service		$10,710,751	$61,209	$10,771,960	$28,077,916	$38,849,876	$12,114,535	$61,209	$12,175,744	$28,077,916	$40,253,660	3.61%
GS	Customers	$494,550	$3,063	$497,613	$0	$497,613	$551,070	$3,063	$554,133	$0	$554,133	
	First 2.0	$234,687	($26)	$234,661	$518,979	$753,640	$267,908	($26)	$267,881	$518,979	$786,860	
	Next 3.0	$165,175	($27)	$165,148	$536,864	$702,012	$186,608	($27)	$186,580	$536,864	$723,444	
	Over 5.0	$302,466	($113)	$302,353	$2,230,675	$2,533,028	$345,456	($113)	$345,343	$2,230,675	$2,576,018	
GS Total		$1,196,878	$2,897	$1,199,775	$3,286,517	$4,486,292	$1,351,041	$2,897	$1,353,938	$3,286,517	$4,640,455	3.44%
MVS	Customers	$165,600	$520	$166,120	$0	$166,120	$188,370	$520	$188,890	$0	$188,890	
	First 20.0	$192,261	$1,407	$193,667	$763,590	$957,257	$219,031	$1,407	$220,438	$763,590	$984,027	
	Over 20.0	$229,229	$3,680	$232,910	$1,997,855	$2,230,765	$254,699	$3,680	$258,380	$1,997,855	$2,256,235	
MVS Total		$587,090	$5,607	$592,697	$2,761,445	$3,354,142	$662,100	$5,607	$667,707	$2,761,445	$3,429,152	2.24%
LVS	Customers	$113,040	$480	$113,520	$0	$113,520	$127,170	$480	$127,650	$0	$127,650	
	First 100.0	$515,246	($652)	$514,594	$740,112	$1,254,706	$574,804	($652)	$574,152	$740,112	$1,314,264	
	Over 100.0	$526,561	($2,693)	$523,868	$3,058,355	$3,582,223	$600,969	($2,693)	$598,275	$3,058,355	$3,656,631	
LVS Total		$1,154,847	($2,865)	$1,151,982	$3,798,467	$4,950,449	$1,302,943	($2,865)	$1,300,078	$3,798,467	$5,098,545	2.99%
HLFS	Customers	$129,120	$840	$129,960	$0	$129,960	$146,067	$840	$146,907	$0	$146,907	
	All Consumption	$761,468	$6,954	$768,422	$5,196,790	$5,965,212	$858,515	$6,954	$865,469	$5,196,790	$6,062,259	
HLFS Total		$890,588	$7,794	$898,382	$5,196,790	$6,095,172	$1,004,582	$7,794	$1,012,376	$5,196,790	$6,209,166	1.87%
NCR	Customers	$480	$0	$480	$0	$480	$543	$0	$543	$0	$543	
	All Consumption	$31,213	($2,107)	$29,106	$0	$29,106	$31,213	($2,107)	$29,106	$0	$29,106	
NCR Total		$31,693	($2,107)	$29,586	$0	$29,586	$31,756	($2,107)	$29,649	$0	$29,649	0.21%
SFS	Customers	$720	$0	$720	$0	$720	$810	$0	$810	$0	$810	
	All Consumption	$3,339	($459)	$2,880	$39,423	$42,303	$3,767	($459)	$3,308	$39,423	$42,731	
SFS Total		$4,059	($459)	$3,600	$39,423	$43,023	$4,577	($459)	$4,118	$39,423	$43,541	1.21%
GC	Customers	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
	All Consumption	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
GC Total		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	0.00%
GL	Customers	$1,380	($6)	$1,374	$2,145	$3,519	$1,560	($6)	$1,554	$2,145	$3,699	
GL Total		$1,380	($6)	$1,374	$2,145	$3,519	$1,560	($6)	$1,554	$2,145	$3,699	5.12%
Total Commercial/ Industrial Service		$3,866,534	$10,861	$3,877,395	$15,084,787	$18,962,182	$4,358,559	$10,861	$4,369,420	$15,084,787	$19,454,207	2.59%
Total Firm Revenue		$14,577,285	$72,070	$14,649,355	$43,162,703	$57,812,058	$16,473,094	$72,070	$16,545,164	$43,162,703	$59,707,867	3.28%

CHESAPEAKE UTILITIES CORPORATION
DELAWARE DIVISION
PSC DOCKET NO. 97-72T – EXTENSION POLICY
(Modified in PSC Docket NO. 07-____)

PREDETERMINED CONDITIONS AND VARIABLES FOR THE "IRRM"

A. Number of Customers

The estimated number of residential heating customers will be based on the number of lots in a new residential subdivision that have been approved for development by the appropriate local, county, or state government authority responsible for approving such residential subdivision projects. At its discretion, the Company may include less than the total number of approved lots in such residential subdivision. The estimated number of customers will be phased-in over a period not to exceed ten years when the number of approved lots is less than or equal to 750. The estimated number of customers will be phased-in over a period not to exceed fifteen years when the number of approved lots is greater than 750. The Company may combine more than one residential subdivision in the same analysis in the event that more than one residential subdivision has been approved for development and can be reached by the Company through its distribution main installation.

B. Annual Non-Fuel Revenue Per Customer

The estimated annual average non-fuel revenue per residential customer will be based on the revenue normalized margin per customer approved by the Commission in PSC Docket No, 07-____, depending upon the estimated rate class for the customers in the residential subdivision. For residential subdivisions located within the expansion rate area, the estimated annual average non-fuel revenue will be the revenue normalized margin per customer of the Eastern Sussex Rider.

C. Distribution Main Installation

The estimated construction costs relative to the distribution main line extension and the new residential development main will be determined based upon the specific cost estimates for these particular mains on a project-by-project basis. The entire cost of the distribution approach main for a project will be included in the first year of the project, however the development main for a given residential subdivision(s) will be included consistent with the developer's proposed phase-in of the residential subdivision(s).

D. Service Installation and Meter Installation

The estimated construction costs relative to the installation of the service line and the meter set will be established based upon the Company's current cost of an average size service line and meter set for a typical residential service. The

CHESAPEAKE UTILITIES CORPORATION
DELAWARE DIVISION
PSC DOCKET NO. 97-72T – EXTENSION POLICY
(Modified in PSC Docket NO. 07-____)

PREDETERMINED CONDITIONS AND VARIABLES FOR THE "IRRM"

Company will provide the Commission Staff with any updated cost information relative to a typical service installation and meter installation to be used in the IRRM by March 1 of each year.

E. Operations and Maintenance Expenses

The estimated operations and maintenance expenses contained in the IRRM for a particular main line extension project will be based on a 3-year average of variable costs on a per customer basis for the most recent three calendar years unless the 3-year average is inconsistent with the particular extension project, in which case the most current year variable cost per customer will be utilized. The Company will provide the Commission Staff with any updated cost information relative to the operations and maintenance expenses per customer to be used in the IRRM by March 1 of each year.

F. Book Depreciation Life for Mains

The book depreciation life for mains for proposes of the IRRM will be based on the most recent Commission approved depreciation rate at the time of the economic analysis.

G. Capital Structure

The capital structure and associated rate of return for a given capital project will be based on the Company's capital structure, cost of equity capital, and the cost of long term debt approved in the Company's most recent base rate proceeding before the Commission. The Company does have the ability, at its discretion, to make certain main extensions that do not meet the Company's authorized rate of return, provided the projected return on equity exceeds 9.00%.

CHESAPEAKE UTILITIES CORPORATION
DELAWARE DIVISION
PSC DOCKET NO. 97-72T – EXTENSION POLICY
(Modified in PSC Docket NO. 07-   )

PREDETERMINED CONDITIONS AND VARIABLES FOR THE "IRRM"

A. Number of Customers

The estimated number of residential heating customers will be based on the number of lots in a new residential subdivision that have been approved for development by the appropriate local, county, or state government authority responsible for approving such residential subdivision projects. At its discretion, the Company may include less than the total number of approved lots in such residential subdivision. The estimated number of customers will be phased-in over a period not to exceed ten years when the number of approved lots is less than or equal to 750. The estimated number of customers will be phased-in over a period not to exceed fifteen years when the number of approved lots is greater than 750. The Company may combine more than one residential subdivision in the same analysis in the event that more than one residential subdivision has been approved for development and can be reached by the Company through its distribution main installation.

B. Annual Non-Fuel Revenue Per Customer

The estimated annual average non-fuel revenue per residential customer will be based on the revenue normalized margin per customer, approved by the Commission in PSC Docket No, 07-   , depending upon the estimated rate class for the customers in the residential subdivision. For residential subdivisions located within the expansion rate area, the estimated annual average non-fuel revenue will be the revenue normalized margin per customer of the Eastern Sussex Rider.

C. Distribution Main Installation

The estimated construction costs relative to the distribution main line extension and the new residential development main will be determined based upon the specific cost estimates for these particular mains on a project-by-project basis. The entire cost of the distribution approach main for a project will be included in the first year of the project, however the development main for a given residential subdivision(s) will be included consistent with the developer's proposed phase-in of the residential subdivision(s).

D. Service Installation and Meter Installation

The estimated construction costs relative to the installation of the service line and the meter set will be established based upon the Company's current cost of an average size service line and meter set for a typical residential service. The

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CHESAPEAKE UTILITIES CORPORATION
DELAWARE DIVISION
PSC DOCKET NO. 97-72T – EXTENSION POLICY
(Modified in PSC Docket NO. 07-   )

PREDETERMINED CONDITIONS AND VARIABLES FOR THE "IRRM"

Company will provide the Commission Staff with any updated cost information relative to a typical service installation and meter installation to be used in the IRRM by March 1 of each year.

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E. Operations and Maintenance Expenses

The estimated operations and maintenance expenses contained in the IRRM for a particular main line extension project will be based on a 3-year average of variable costs on a per customer basis for the most recent three calendar years unless the 3-year average is inconsistent with the particular extension project, in which case the most current year variable cost per customer will be utilized. The Company will provide the Commission Staff with any updated cost information relative to the operations and maintenance expenses per customer to be used in the IRRM by March 1 of each year.

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F. Book Depreciation Life for Mains

The book depreciation life for mains for proposes of the IRRM will be based on the most recent Commission approved depreciation rate at the time of the economic analysis.

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G. Capital Structure

The capital structure and associated rate of return for a given capital project will be based on the Company's capital structure, cost of equity capital, and the cost of long term debt approved in the Company's most recent base rate proceeding before the Commission. The Company does have the ability, at its discretion, to make certain main extensions that do not meet the Company's authorized rate of return, provided the projected return on equity exceeds 9.00%.

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